

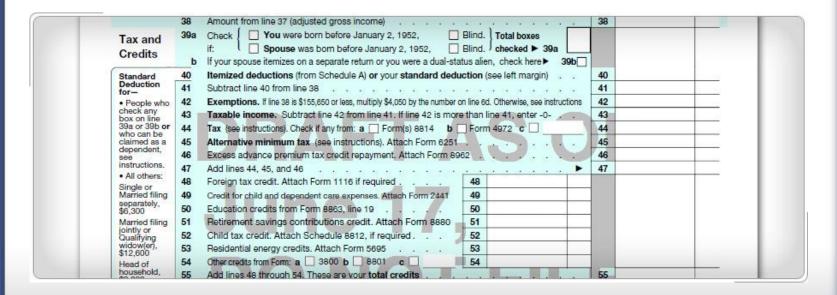


# Standard Deduction and Tax Computation

	38 Amount from line 37 (adjusted gross income)	38
Tax and Credits	39a Check  You were born before January 2, 1952,	
Standard	40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40
Deduction	41 Subtract line 40 from line 38	41
People who	42 Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	42
check any box on line	43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43
39a or 39b or who can be	44 Tax (see instructions). Check if any from: a Form(s) 8814 b Form 4972 c	44
claimed as a	45 Alternative minimum tax (see instructions). Attach Form 6251	45
dependent, see	46 Excess advance premium tax credit repayment. Attach Form 8962	46
instructions.	47 Add lines 44, 45, and 46	47
All others:     Single or	48 Foreign tax credit. Attach Form 1116 if required 48	
Married filing	49 Credit for child and dependent care expenses. Attach Form 2441 49	
separately, \$6,300	50 Education credits from Form 8863, line 19	
Married filing	51 Retirement savings contributions credit. Attach Form 8880 51	
jointly or Qualifying	52 Child tax credit. Attach Schedule 8812, if required	
widow(er), \$12,600	53 Residential energy credits. Attach Form 5695	
Head of	54 Other credits from Form: a 3800 b 8801 c 54	
household,	55 Add lines 48 through 54. These are your total credits	55

# About Standard Deduction and Tax Computation

- TaxSlayer: Basic Information section
- Additional resources listed in L&LT "References" tab
- Review all tips and cautions
- Read all examples and sample interviews
- We will review answers to each exercise in the lesson



## Objectives – Standard Deduction and Tax Computation

- Determine the standard deduction for most taxpayers
- Determine the standard deduction for taxpayers claimed as dependents
- Identify how taxable income and income tax are computed and reported
- Time Required: 20 minutes

# **Topics**





- Deductions
- Age and Blindness
- Taxpayers who can be Claimed as Dependents
- Standard Deduction vs. Itemizing
- Determining Taxable Income and Tax

## Key Terms

Definitions are always available in the L&LT online Glossary.

- Adjusted Gross Income (AGI)
- Exemptions (Personal or Dependency)
- Itemized Deduction
- Married Filing Jointly
- Married Filing Separately
- Standard Deduction

## **Deductions**

- Use interview techniques and other tools to determine if the standard deduction or itemizing will result in the largest possible deduction for the taxpayer
- Pub 4012, Deductions tab
  - Standard Deduction for Most People chart
  - Interview Tips for persons not eligible for the Standard Deduction

## TIP

#### Exhibit 1 – Standard Deduction for Most People\*

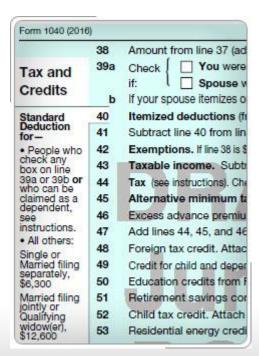
This table provides the standard deduction amounts for tax year 2016.

If the taxpayer's filing status is	Your standard deduction is
Single or married filing separate return	\$6,300
Married filing joint return or qualifying widow(er) with dependent child	\$12,600
Head of household	\$9,300

<sup>\*</sup>Don't use this chart if the taxpayer was born before January 2, 1952, or is blind, or if someone else can claim an exemption for the taxpayer (or their spouse if married filing jointly).

## **Deductions**

- Taxpayers who cannot take standard deduction and must itemize:
  - Filing as Married Filing Separately and the spouse itemizes
  - Nonresident or dual-status alien (not married to U.S. citizen at the end of the year)
- Refer to the Standard Deduction Worksheet Line 40 from either Pub 17 or <u>Form 1040</u> <u>Instructions</u>



## Age and Blindness

- Standard deduction is higher for a taxpayer or spouse 65 or older, or if one or both spouses are blind
- Use Pub 4012, Adjustments tab, <u>Standard Deduction Chart for People</u> 65 or Older or Who Are Blind Chart, as a guide to computing the standard deduction
- Taxpayers can take the higher standard deduction if one spouse is 65 or older, or is blind, and if:
  - Taxpayer files a joint return
  - Taxpayer files a separate return and can claim an exemption for the spouse

Standard Deduction Chart for People Born Before January 2, 1952, or Who are Blind

Check the correct num	ber of boxes	below. T	hen go to t	ne chart.		
You:		Born before January 2, 1952		Blind		
Your spouse, if claiming spouse's exemption:	claiming January 2,			Blind		
Total number of boxes checked						
IF your filing status is		the n	AND umber in bove is	THEN your standard deduction is		
Single			1	\$7,850	0	
			2	9,400	)	
Married filing jointly			1	\$13,85	0	
or Qualifying widow(er) with			2	15,10	0	
dependent child			8	16,350	0	
			4	17,60	0	
Married filing separat	ely		1	\$7,550	0	
			2	8,800	)	
			3	10,050	0	
			4	11,30	0	
Head of household			1	\$10,85	0	
			2	12,40	0	
*If someone else can claim you (or your spouse if filing jointly) as a dependent, use standard deduction worksheet for dependents.						

## Taxpayers Who Can be Claimed as Dependents

- A lower standard deduction is offered for an individual who can be claimed as a dependent on another person's tax return
- Form 13614-C has a check box for a dependent being claimed by another taxpayer
- Use <u>Form 1040 Instructions</u>, Standard Deduction Worksheet – Line 40 to calculate the deduction

#### Standard Deduction Worksheet for Dependents

Use this worksheet only if someone else can claim you (or your spouse if filing jointly) as a dependent.

Your spouse, if Born before January 2, 1952	Check the correct number of boxes below. Then go to the worksheet.						
claiming January 2, 1952	You:					Blind	
1. Enter your earned income (defined below). If none, enter -0  2. Additional amount.  2. \$350  3. Add lines 1 and 2.  4. Minimum standard deduction.  5. Enter the larger of line 3 or line 4.  6. Enter the amount shown below for your filling status.  Single or Married filing separately— \$6,300  Married filing jointly—\$12,600  Married filing jointly—\$12,600  Head of household—\$9,300  7. Standard deduction.  a. Enter the smaller of line 5 or line 6. If born after January 1, 1952, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b.  b. If born before January 2, 1952, or blind, multiply \$1,550 (\$1,250 if married) by the number in the box above.  c. Add lines 7a and 7b. This is your standard	claiming January 2, 1952				Blind		
enter -0 1	Tot	al n	umber of boxe	s checked			
3. Add lines 1 and 2.  4. Minimum standard deduction.  5. Enter the larger of line 3 or line 4.  6. Enter the amount shown below for your filing status.  Single or Married filing separately— \$6,300  Married filing jointly—\$12,800  Head of household—\$9,300  7. Standard deduction.  a. Enter the smaller of line 5 or line 8. If born after January 1, 1952, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b.  b. If born before January 2, 1952, or blind, multiply \$1,550 (\$1,250 if married) by the number in the box above.  c. Add lines 7a and 7b. This is your standard						1	
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5. Enter the larger of line 3 or line 4.  6. Enter the amount shown below for your filing status.  Single or Married filing separately— \$6,300  Married filing jointly—\$12,800  Head of household—\$9,300  7. Standard deduction.  a. Enter the smaller of line 5 or line 6. If born after January 1, 1952, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b.  b. If born before January 2, 1952, or blind, multiply \$1,550 (\$1,250 if married) by the number in the box above.  c. Add lines 7a and 7b. This is your standard	3. Add lines 1 and 2.					3	
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		b.	multiply \$1,550	(\$1,250 if married)		7b	
		C.			tandard	7c	

Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income.

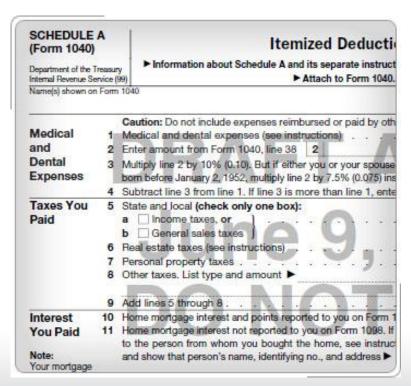
# Standard Deduction vs. Itemizing

- Examples of types of expenses that generally warrant itemizing deductions:
  - Large out-of-pocket medical and dental expenses

• State and local income taxes, sales tax, real estate taxes, and/or

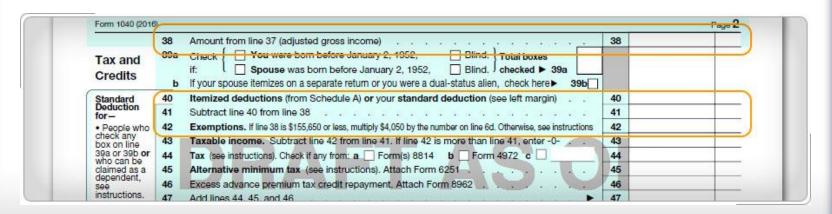
personal property taxes

- Mortgage interest
- Gifts to charity
- Certain other miscellaneous deductions



## Determining Taxable Income and Tax

- Taxable income is determined by taking the adjusted gross income (AGI) and subtracting:
  - Personal and dependency exemptions
  - Standard or itemized deductions
- A separate worksheet is used to calculate tax for taxpayers with:
  - Capital gains
  - Qualifying dividends
  - Foreign earned income



## Summary

#### This lesson covered:

- How to identify those who can take the standard deduction and how the deduction is affected by filing status, age, blindness, and status as a dependent
- Tax computation is based on taxable income